

Message Text

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ORIGIN ARA-10

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DRAFTED BY ARA/ECP:LPETERS:JD
APPROVED BY ARA:HSHLAUDEMAN
ARA:MR.GRUNWALD
EB/IFD/ODA:FTHOMAS
LA/MRSD:BUPTON (DRAFT)
ARA/ECP:JO'MAHONY (DRAFT)

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R 252157Z NOV 76
FM SECSTATE WASHDC
TO AMEMBASSY MONTEVIDEO

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STADIS/////////////////////////////////
TO THE AMBASSADOR FROM ASSISTANT SECRETARY SHLAUDEMAN

E.O11652: N/A

TAGS:EFIN, EGEN, UY

SUBJECT:IDB FISHERIES DEVELOPMENT LOAN FOR URUGUAY

REF: MONTEVIDEO 4521

1. I APPRECIATE YOUR CONCERN OVER THIS SITUATION AND HOPE THE FOLLOWING INFORMATION WILL BE OF ASSISTANCE.
 2. THE DIFFICULTY WITH THE LOAN IS A TECHNICAL MATTER CONCERNING THE USE OF FSO FOR COMMERCIAL FISHING DEVELOPMENT. THE URUGUAYAN REQUEST DIFFERS FROM THE COSTA RICAN AND PANAMANIAN PROJECTS IN THAT THE URUGUAYAN PROJECT IS CLEARLY AIMED AT LARGER SCALE COMMERCIAL FISHING, WHILE THE OTHER TWO INVOLVED SMALL ARTISAN FISHERIES PROJECTS. THE DIFFER-
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ENCE HERE IS ONE OF SCALE AND COMMERCIAL VIABILITY.

3. THE FSO PORTION OF THE COSTA RICA FISHERIES LOAN FINANCED PURCHASE OF BOATS BY A FISHERY COOPERATIVE COMPOSED OF MEMBERS EARNING APPROXIMATELY DOLLARS 500 PER YEAR, AS WELL AS CONSTRUCTION OF PORT INFRASTRUCTURE TO BE PRIMARILY USED BY COOPERATIVE MEMBERS.

THE PANAMA FSO LOAN FINANCED PURCHASE OF BOATS, EQUIPMENT AND THE CONSTRUCTION OF ON-SHORE FACILITIES TO BE

USED BY MEMBERS OF NINE FISHERY COOPERATIVES WHOSE MEMBERS EARN AN AVERAGE ANNUAL INCOME OF DOLLARS 400.

THE URUGUAY PROGRAM WOULD PROVIDE LOANS OF BETWEEN DOLLARS 200,000 AND DOLLARS 800,000 TO COMMERCIAL, IN MOST CASES, EXPORT-ORIENTED, FIRMS AND WOULD CONSTRUCT INFRASTRUCTURE INTENDED PRIMARILY FOR THESE FIRMS' USE.

4. IT IS NOT UNUSUAL FOR THE IDB ITSELF OR THE USG TO OPPOSE FSO FINANCING FOR PROJECTS ON THE GROUNDS OF POTENTIAL COMMERCIAL VIABILITY. A 1973 BOLIVIAN PETROLEUM REFINERY PROJECT AND A 1974 COSTA RICAN HYDROELECTRIC PROJECT WERE CHANGED FROM FSO TO OC FUNDING BECAUSE THE USG FOUND THE PROJECTS TO HAVE SUBSTANTIAL REVENUE-GENERATING POTENTIAL. BANK MANAGEMENT REDUCED THE FSO CONTENT OF A 1975 GUATEMALA HYDROELECTRIC PROJECT BECAUSE OF THE POTENTIAL PROFITABILITY OF THE ENTERPRISE.

5. TREASURY HAS TAKEN A STRONG POSITION THAT NO FSO FINANCING SHOULD BE AVAILABLE FOR A PROJECT WHICH HAS SUCH CLEAR POSSIBILITIES OF COMMERCIAL PROFITABILITY. THERE IS NO POSSIBILITY OF SECURING 50-50 FSO FINANCING. WE WILL, HOWEVER, ATTEMPT TO CONVINCE TREASURY THAT THE 3 MILLION DOLLARS SLATED FOR PORT IMPROVEMENTS SHOULD BE FINANCED FROM FSO. WE ARE NOT HOPEFUL OF SUCCESS EVEN ON THAT. I WILL SEE THAT YOU ARE KEPT ADVISED OF ANY DEVELOPMENTS.

6. URUGUAYAN AMBASSADOR PEREZ CALDAS MET WITH JOE GRUNWALD ON MONDAY. THE SITUATION WAS EXPLAINED TO HIM AND THE POINT MADE CLEARLY THAT THIS IS A TECHNICAL RATHER LIMITED OFFICIAL USE

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THAN A POLITICAL PROBLEM. HE UNDERSTOOD AND SEEMED TO ACCEPT THE EXPLANATION. I AM CONFIDENT THAT YOU CAN MAKE THE SAME POINT THERE WITH SUFFICIENT EFFECT TO HEAD OFF ANY SUSPICIONS THAT POLITICAL PROBLEMS ARE INVOLVED IN THIS MATTER. ROBINSON

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